



## U.S.-CHINA SECURITY REVIEW COMMISSION Washington, D.C. 20001

JULY 15, 2002

The Honorable Robert C. Byrd  
President Pro Tempore of the U.S. Senate

The Honorable J. Dennis Hastert  
Speaker of the House

DEAR SENATOR BYRD AND SPEAKER HASTERT:

On behalf of the U.S.-China Security Review Commission, we are pleased to transmit our first annual Report to the Congress, pursuant to Public Law 106-398 (October 30, 2000). The Commission has reached a broad and bipartisan consensus, approving the report by a vote of 11-1, on the most important aspects of our mandate "to monitor, investigate and report to the Congress on the national security impacts of the bilateral trade and economic relationship between" the U. S. and China. It is highlighted in a number of key findings and recommendations for Congressional action and further work. We believe this consensus is significant given the wide range of difficult issues we were charged to study, and the narrow margin by which Permanent Most Favored Nation Trade Relations (PNTR) was approved by the Congress. During Congressional consideration of that legislation, the Clinton Administration asserted that passage of PNTR and China's entry into the WTO were in the "vital national security interests of the U. S." Congress, in creating this Commission, charged it to evaluate, among other things, that assertion over time.

U.S. policy toward China has lacked consistency and depth, and has often been driven by narrow commercial interests, specific human rights issues, or particular military and security concerns. Further, since the opening with China begun by President Richard Nixon in 1972, it has been dominated by strong Executive branch personalities and inordinate secrecy. We lack a sustainable consensus on the fundamental national interests of the U.S. among our elected leadership, particularly between the President and the Congress. We believe the nation is poorly served by this shortcoming, and it needs to be corrected as we consider China's growing economic, political and military power and the very substantial role played by our country in helping to bring that about. The Commission is also concerned over serious differences in the perceptions of the other held by each country, together with a lack of agreed-upon goals, core values and shared agendas. The potential for miscommunications and misunderstandings is cause for serious concern, and is compounded by a failure to establish institutions for confidence building, threat reduction, and crisis management.

As a consequence of this fragmented approach, members of Congress have not been accorded an integrated assessment of the multi-faceted nature of our relations with China, particularly the linkage between our expanding economic ties and U.S. national security interests. The U.S. has its largest trade deficit with China, and is a premier foreign investor in its markets. It also transfers substantial resources on a government-to-government basis, and permits Chinese companies to raise substantial funds in U.S. capital markets. China is attempting to acquire and digest a vast array of advanced Western technology, and the increasing transfers of U.S. research and manufacturing facilities to China could have a negative impact on the strength of our technological and industrial base as well as the relative military strengths of the two countries. Moreover, China is pursuing an accelerated military modernization program, and the volatile Beijing-Taipei relationship risks drawing the U.S. and China into conflict. Its proliferation of technologies associated with weapons of mass destruction and their delivery systems to nations clearly hostile to the U.S. is adverse to our security interests, in the Middle East and Asia in particular.



The Commission believes that American policies must, first, be firmly grounded on a strong calculus of what will best enhance our national economic health and military security. Second, although it is unrealistic to expect the U.S. to fundamentally effect a transformation of the beliefs, structure and governing dynamics of China's dictatorship, we should continue to strongly advocate democratic values and principles, remembering that in the past strong American actions and influence have materially enhanced such values and practices in Japan, South Korea, the Philippines, and Taiwan. On both scores, we can and should do better.

The Commission used a number of approaches to implement its mandate, including broad ranging hearings, new research in a variety of relevant areas, extensive analysis and translation of current Chinese materials, classified briefings from the intelligence community, and first hand visits to China, Taiwan, Japan, and the WTO in Geneva. We have published an extensive hearing record, and a volume of Commission-constructed original research and translations that accompanies this Report. We also have produced a classified report, which is available to members and cleared staff.

We believe that this Report will provide a baseline for assessing changes in U.S.-China relations — the positive and the negative — in the years ahead. We hope it will also contribute to the development of a strong Congressional and national consensus that will serve as a reliable foundation for our policies toward China, and that ensures the fundamental strengths of our economy and security be its guiding impulse.

Yours truly,

  
Michael Ledeen  
Vice Chairman

  
C. Richard D'Amato  
Chairman